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**FORMER HDC PRESIDENT PLEADS GUILTY IN FEDERAL COURT
TO SIPHONING AGENCY FUNDS AND POSSESSING CHILD PORNOGRAPHY**

DAVID N. KELLEY, the United States Attorney for the Southern District of New York, together with ROSE GILL HEARN, the Commissioner of the New York City Department of Investigation, and MARTIN D. FICKE, the Special Agent in Charge of the New York Office of Immigration and Customs Enforcement of the Department of Homeland Security, announced that RUSSELL A. HARDING pled guilty in Manhattan federal court this afternoon to conspiracy and fraud charges related to a scheme to defraud the New York City Housing Development Corporation ("HDC") of hundreds of thousands of dollars, as well as one charge of possessing child pornography.

HDC is a public benefit corporation created under New

York State law for the purpose of financing the construction and rehabilitation of affordable multi-family housing projects in New York City. Every year, HDC receives millions of dollars in federal funds. HARDING -- who was appointed President of HDC in June 1998 and remained in that position until February 2002 -- admitted that he used HDC Diner's Club cards to make personal purchases for himself and others, and that he caused HDC to pay for these purchases by falsely reporting them as business expenses.

Although HARDING admitted only a few of his fraudulent expenditures during the proceeding today, the Indictment alleges that he fraudulently obtained goods and services such as vacation travel (including trips to Hong Kong, Vancouver, Las Vegas, San Diego, Washington, D.C., and Portland, Oregon), meals, electronics equipment (including computers, DVD players and Palm Pilots), parties at New York City restaurants (including The Four Seasons), and holiday gifts for family and friends.

According to the Indictment, after HDC received Freedom of Information Law ("FOIL") requests seeking records reflecting HARDING's travel and other expenses, HARDING directed the concealment of Diners Club bills, directed that expenses incurred for his own benefit be charged on the Diners Club card of another employee, and directed HDC employees to shred paper records and erase computer files in such a way that they could not be recovered.

In pleading guilty, HARDING agreed that his criminal

conduct resulted in losses exceeding \$400,000. In addition to his credit card purchases, the Indictment charges that HARDING approved various forms of unauthorized compensation for himself, including salary increases, bonuses, and annual leave increases, and that he arranged for HDC to purchase a \$38,664 vehicle for the personal use of a friend.

Richard T. Roberts, the former Commissioner of New York City's Department of Housing Preservation and Development and the former Chairman of HDC's Board of Directors, pled guilty in Manhattan federal court in August 2004 to making false statements to DOI and to a federal grand jury in connection with his receipt and use of that vehicle. Roberts is currently awaiting sentence.

In addition to two charges relating to HARDING's fraud upon HDC, HARDING pled guilty to one count of possessing child pornography images. According to the Indictment, HARDING possessed 10 still images of child pornography, as well as a movie file.

Mr. KELLEY stated: "Russell Harding committed an egregious violation of the public trust. As HDC's President, it was his responsibility to ensure that the agency's valuable resources were used to achieve an important purpose within the community. By abusing his position, and misappropriating HDC funds to pay for extravagant personal expenses, he shamefully

betrayed the people he was appointed to serve."

Ms. GILL HEARN stated: "'Russell Harding willfully took advantage of his position. He stole from HDC to give himself perks usually afforded a celebrity, not a government official who is supposed to help finance, construct and rehabilitate affordable housing for low-income citizens. He tried to cover his tracks by concealing his improper conduct, including having documents destroyed and computer files deleted which, in turn, made DOI's investigation more difficult and lengthy."

HARDING, age 40, is currently incarcerated. He is to be sentenced by United States District Judge LEWIS A. KAPLAN on June 27, 2005, at 10 A.M.

On each of the two counts relating to the fraud on HDC, HARDING faces a maximum of 5 years in prison, and a maximum fine of \$250,000 or twice the gain or loss resulting from the offense. The charge that HARDING possessed child pornography carries a maximum sentence of 5 years in prison and a maximum fine of \$250,000.

Mr. KELLEY praised the investigative efforts of the New York City Department of Investigation, as well as Immigration and Customs Enforcement.

Mr. KELLEY stated that the investigation is continuing.

Assistant United States Attorneys DEBORAH E. LANDIS and

DANIEL A. BRAUN are in charge of the case.

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